

**EXHIBIT 2030, PART 1 TO
CISNEROS DECLARATION
REDACTED VERSION**

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Intel Corporation

9 UNITED STATES DISTRICT COURT
10 NORTHERN DISTRICT OF CALIFORNIA
11 SAN JOSE DIVISION
12

13 IN RE: HIGH-TECH EMPLOYEE
14 ANTITRUST LITIGATION

Master Docket No. 11-CV-2509-LHK

15 THIS DOCUMENT RELATES TO:
16 ALL ACTIONS
17

**DECLARATION OF DANNY McKELL IN
SUPPORT OF OPPOSITION TO CLASS
CERTIFICATION**

18 Date Consolidated Amended Compl. Filed:
19 September 13, 2011
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Master Docket No. 11-CV-2509-LHK

DECLARATION OF DANNY McKELL

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1 I, Danny McKell, declare:

2 1. I am a Compensation and Benefits Specialist at Intel Corporation. I have personal
3 knowledge of the matters stated in this declaration. I make this declaration in support of
4 Defendants' Opposition to Motion for Class Certification. If called and sworn as a witness, I
5 could and would competently testify to the matters stated below.

6 2. I have been employed by Intel for 13 years and have worked in the Compensation
7 and Benefits group for the last 9 years. I understand that the Plaintiffs in this case have asserted
8 that Intel's compensation for most of its employees (apart from retail employees, corporate
9 officers, members of the board of directors, and senior executives) was suppressed below
10 competitive levels during the alleged class period of 2005-09. In my role as a Compensation and
11 Benefits Specialist, I am generally familiar with the process by which Intel has compensated its
12 employees before, during, and after the alleged class period. The statements below are
13 descriptive of Intel's compensation practices during the alleged class period, and generally
14 extend before and after that period except where noted.

15 3. Attached as Exhibit A is a true and correct copy of Chapter 16 of the Intel "Total
16 Compensation Handbook," dated January 1, 2010 (76586DOC000445), which outlines the
17 components of Intel compensation: base pay, employee (incentive) bonus, profit sharing bonus,
18 and various forms of equity grants (stock options and restricted stock units) (collectively, "total
19 compensation"). The same components comprised Intel compensation during the alleged class
20 period.

21 4. Intel assigned each employee to a "grade" level and used a broad "total pay"
22 range for each grade. The mix of compensation components differed across grade levels, with
23 the bonus component typically increasing with grade level. I refer to base pay plus cash bonuses
24 as "total pay" because the two were often considered together in company-wide compensation
25 analysis, though the relative proportions of those components varied among individuals.

26 5. Attached as Exhibit B is a true and correct copy of Intel's "Salary Ranges, Merit
27 Matrices, Promo Guidelines, and Budget" presentation, dated June 26, 2007
28 (76582DOC000783), describing the annual process by which Intel managers determined

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1 employee compensation. The process for determining the annual budget took several steps
 2 throughout the year. [REDACTED]

16 6. Attached as Exhibit C is a true and correct copy of Intel's "Compensation 201
 17 Instructor Guide," dated December 15, 2006 (76583DOC007683-7725), describing, among other
 18 things, how Intel used market salary survey data in its compensation benchmarking process. As
 19 explained in the Instructor Guide, Intel learned about salaries paid by competitors primarily
 20 through third party market salary surveys such as Radford and Towers Perrin. The Intel
 21 Compensation and Benefits group, with input from the business groups, selected peer companies
 22 for comparison based on size, geographic location, and industry. [REDACTED]

25 7. Attached as Exhibit D is a true and correct copy of Intel's "Pre-Focal Analysis
 26 2007" presentation, dated January 5, 2007 (76583DOC002007). At page 16, the document lists
 27 the 29 companies against which Intel benchmarked for the 2007 focal year. Of the defendants in
 28 this case, only [REDACTED] were used in Intel's benchmarking. The other 27 companies

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DECLARATION OF DANNY McKELL

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1 [REDACTED]
 2 [REDACTED]
 3 [REDACTED]
 4 [REDACTED] Salary information obtained by employees who were
 5 "cold-called" was not a source of information and was not considered when analyzing market
 6 compensation. [REDACTED] was added to the list of peer companies for the first time in the 2006
 7 focal year. Attached as Exhibit E is a true and correct copy of Intel's "2006 FSM Pre-Focal
 8 Analysis Feb 17," dated December 9, 2005 (76583DOC007082), showing on page 24 that
 9 [REDACTED] was added to the 2006 list of benchmark companies.

10 8. Once total pay ranges were set, Intel's managers throughout the company
 11 conducted employee evaluations, and rated employees into five performance categories:
 12 approximately [REDACTED] of employees were rated outstanding, [REDACTED] % exceeded expectations, [REDACTED]
 13 succeeded, [REDACTED] were below expectations, and [REDACTED] required improvement. Because Intel's
 14 compensation philosophy was to pay for performance, these ratings were used, subject to a
 15 business unit manager's discretion, to determine base pay raises, bonus target increases and
 16 grade level changes or promotions. Some exempt employees were also eligible for a geographic
 17 total pay differential, an additional payment for employees in certain grades at Intel locations
 18 where the market pay was substantially above the national average.

19 9. Page 19 of Exhibit D shows the wide ranges of total pay available within each
 20 grade. For example, total pay for Grade 3 employees varied by [REDACTED] or [REDACTED]. The ranges for
 21 the other families are similar. The maximum [REDACTED]—exceeded the
 22 minimum [REDACTED]. For technical jobs, Grade 3 was assigned to employees
 23 with a bachelor's degree and no experience. Grade 8 was assigned to employees with a
 24 bachelor's degree and 6-8 years of experience. Thus, the ranges were broad enough to allow a
 25 new employee to be paid more than one with significant experience. Total pay ranges and
 26 overlaps during other years of the class period were similar.

27 10. Intel's individual employee total pay determinations were not made company-
 28 wide but were made by thousands of business unit managers, who had discretion with respect to
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1 the amount and composition of each individual's compensation. The Compensation and Benefits
 2 group provided managers guidelines and a merit increase budget for determining merit increases
 3 based on the rating the manager determined was appropriate for each of their employees.
 4 Managers could and did adjust compensation up or down within a broad range for each
 5 employee.

6 11. Compensation increases generally occurred in connection with the annual focal
 7 review process, and were rarely negotiated throughout the course of the year. Intel did not have
 8 a company-wide policy for responding to current employees who had received offers from other
 9 companies. Instead, any response was subject to the discretion of each individual employee's
 10 manager. I understand that Intel would make a counteroffer in hopes of retaining an employee
 11 where the circumstances warranted.

12 12. Because each business unit was given a budget for total pay, paying more to some
 13 employees meant paying less to others. For example, if a manager decided to give a larger raise
 14 or a promotion to one employee, whether as a result of the merit based annual review process or
 15 individual negotiation, he or she would likely have had to decrease the raises given to other
 16 employees in his or her group or deny another employee a promotion.

17 13. If an individual employee received greater compensation in response to an offer
 18 from another company, it would not have affected compensation throughout the company, or
 19 even within the employee's business unit, job family or grade level. Rather, compensation was
 20 determined by analysis of market compensation, company performance, individual performance
 21 and other factors as described in Paragraph 5 above.

22 14. Attached as Exhibit F is a true and correct copy of a custom compensation report
 23 generated by Radford for Intel based upon June 2009 data (76582DOC023919). It shows, on the
 24 "Report Specs" tab, that Intel requested Radford's [REDACTED] report, which includes
 25 data on [REDACTED]

26 [REDACTED] Although this report
 27 included [REDACTED], they collectively comprise only 0.6% of the list.

28 Intel requested and used this benchmarking report because [REDACTED]

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1 [REDACTED]
2 [REDACTED]
3 15. In 2006, Intel instituted a change to its overall compensation philosophy. Prior to
4 2006, employee base compensation was targeted to be less than the market average as compared
5 to peer companies, while employee bonuses were targeted to be greater than the market average.
6 Beginning in 2006, Intel changed the targets such that employee base compensation would be
7 equivalent to the market average as compared to peer companies, and employee bonuses would
8 continue to be greater than the market average. In February 2006, Intel temporarily halted new
9 hiring while contemplating a hiring freeze. In April 2006, Intel instituted a full hiring freeze.
10 Two months later, Intel laid off approximately 1,000 manager level employees worldwide. In
11 September 2006, Intel announced that it planned to lay off 10,500 employees by mid-2007,
12 primarily in the marketing and IT departments. In January 2009, Intel suspended promotions and
13 instituted a worldwide salary freeze, in response to the recession and macro-economic
14 environment.

15 16. I declare under penalty of perjury that the foregoing is true and correct. Executed
16 in Rio Rancho, New Mexico, on November 12, 2012.

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20 DANNY MCKELL
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Master Docket No. 11-cv-2509-LHK

DECLARATION OF DANNY MCKELL

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Exhibit A

2030-8

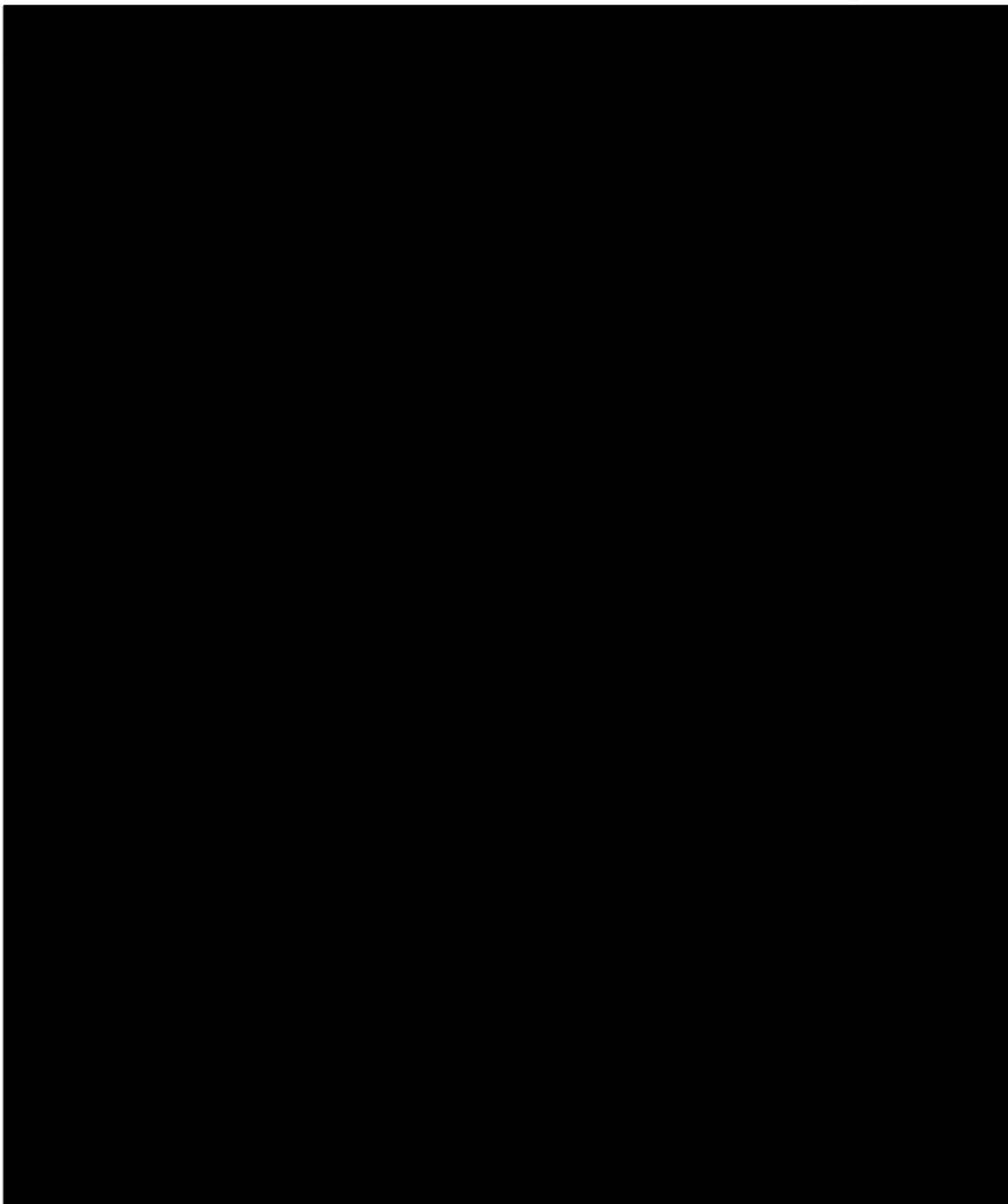
Chapter 16

Cash

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| Base pay overview | 16.1 |
| Exempt Pay Ranges | 16.1 |
| Nonexempt Pay Ranges | 16.1 |
| Exempt and Nonexempt Pay Increases | 16.2 |
| Exempt and Nonexempt Pay Practices | 16.2 |
| Nonexempt Classification Compliance Guidelines | 16.8 |
| Exempt Classification Extra Pay Guidelines | 16.13 |
| Exempt and Nonexempt Temporary Shift Changes | 16.15 |
| Nonexempt Compressed Workweek Schedule Premium | 16.16 |
| Employee Bonus | 16.17 |
| Employee Cash Bonus Program | 16.19 |

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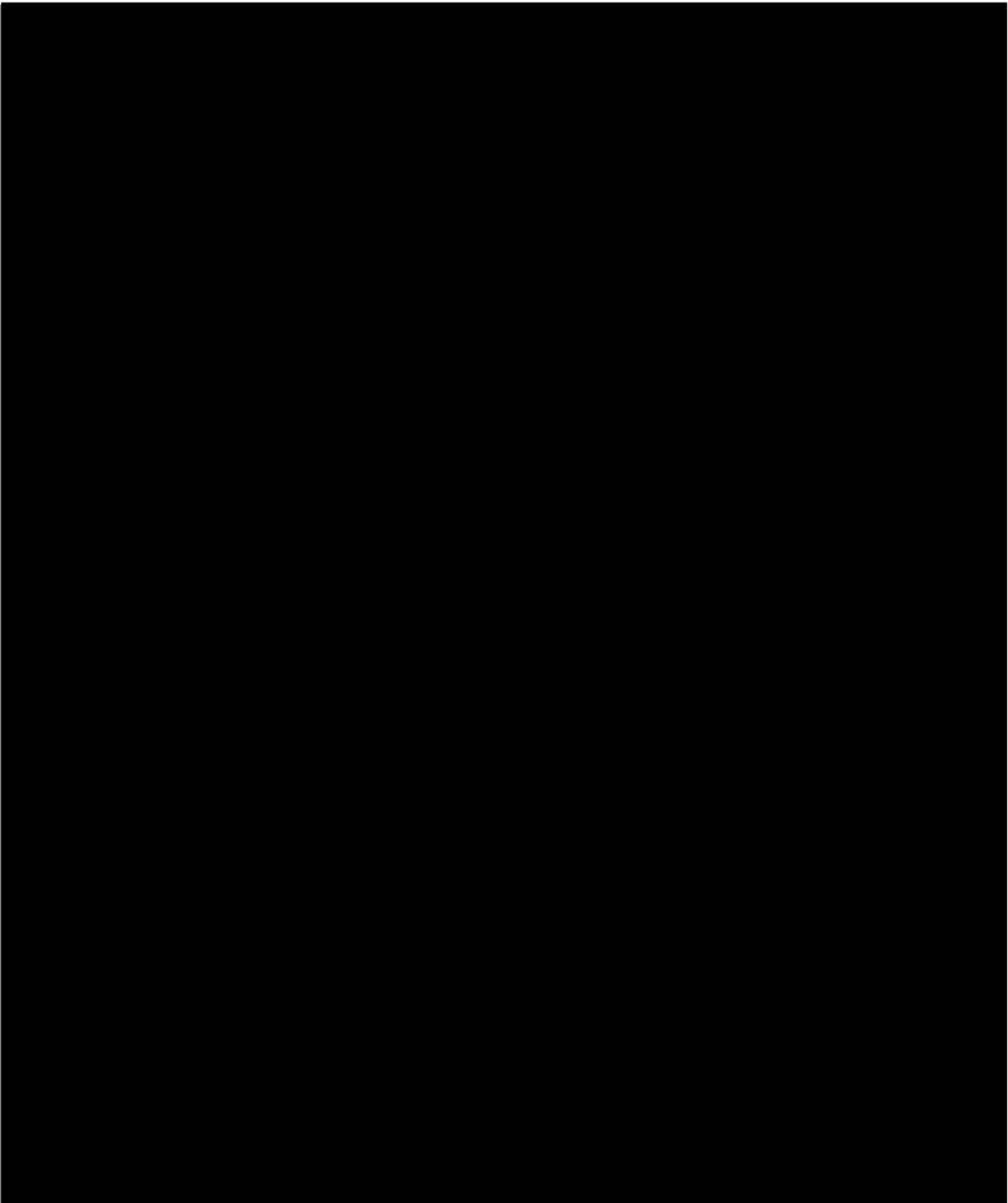
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Jan. 1, 2010

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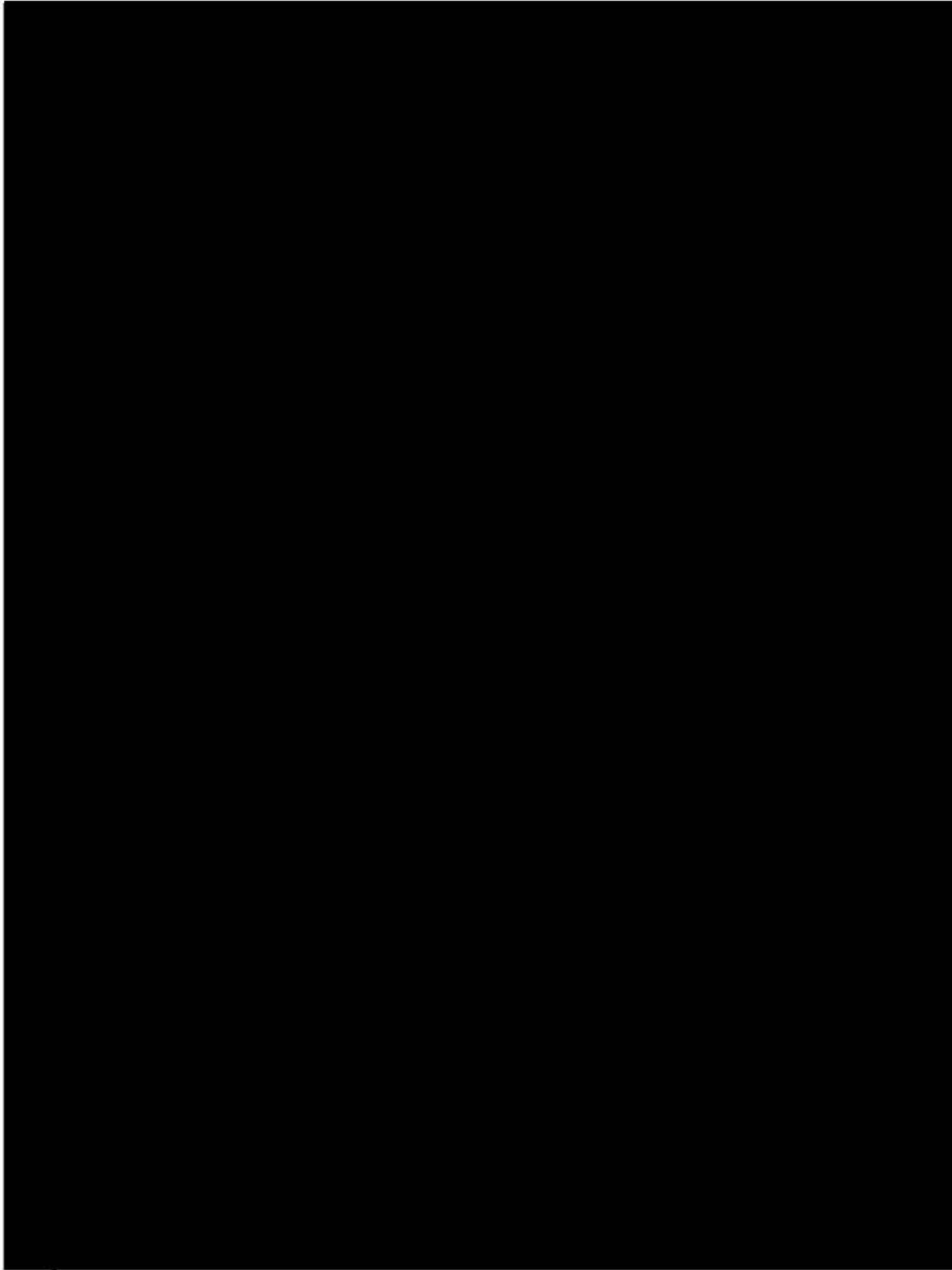


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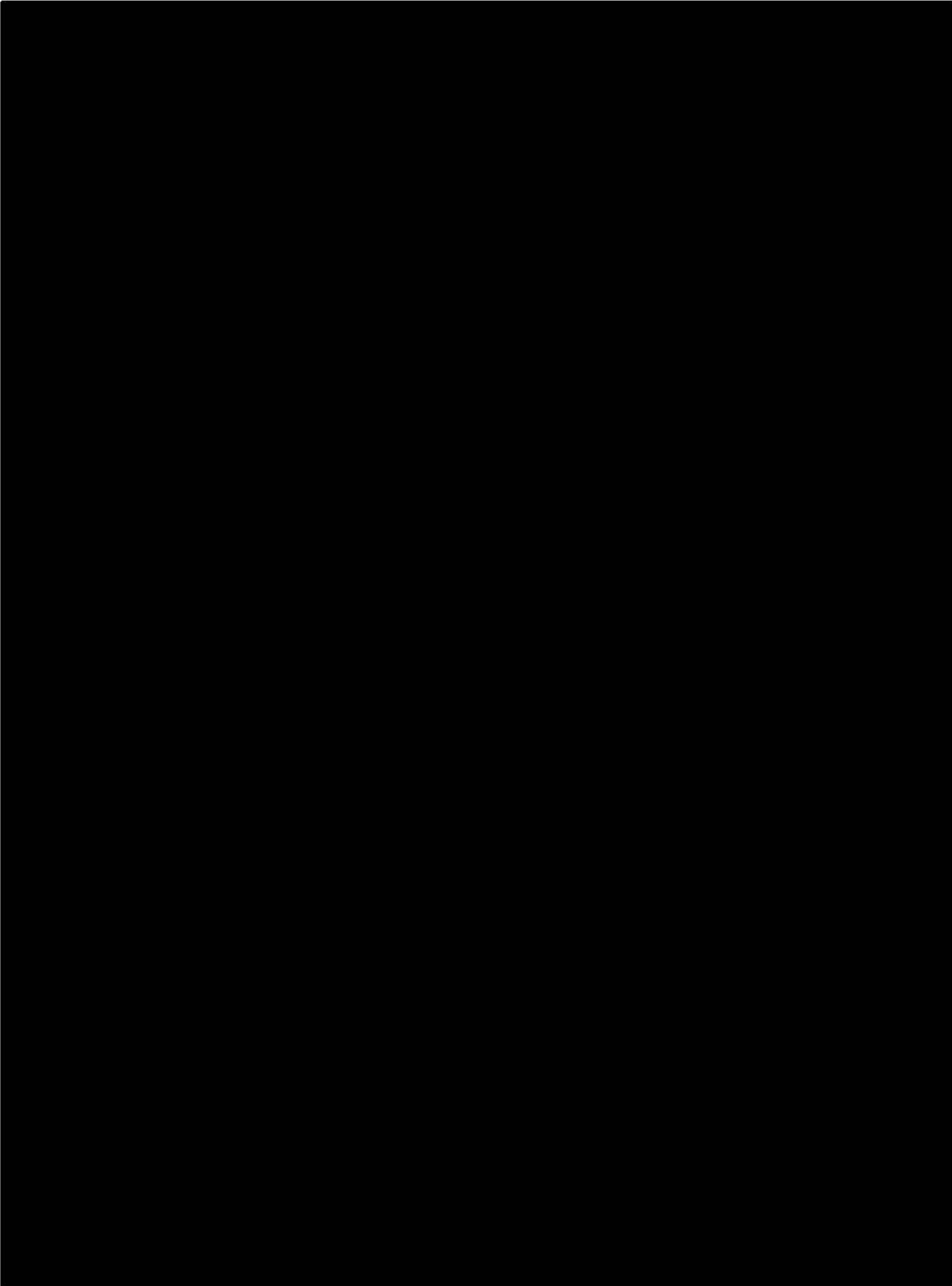
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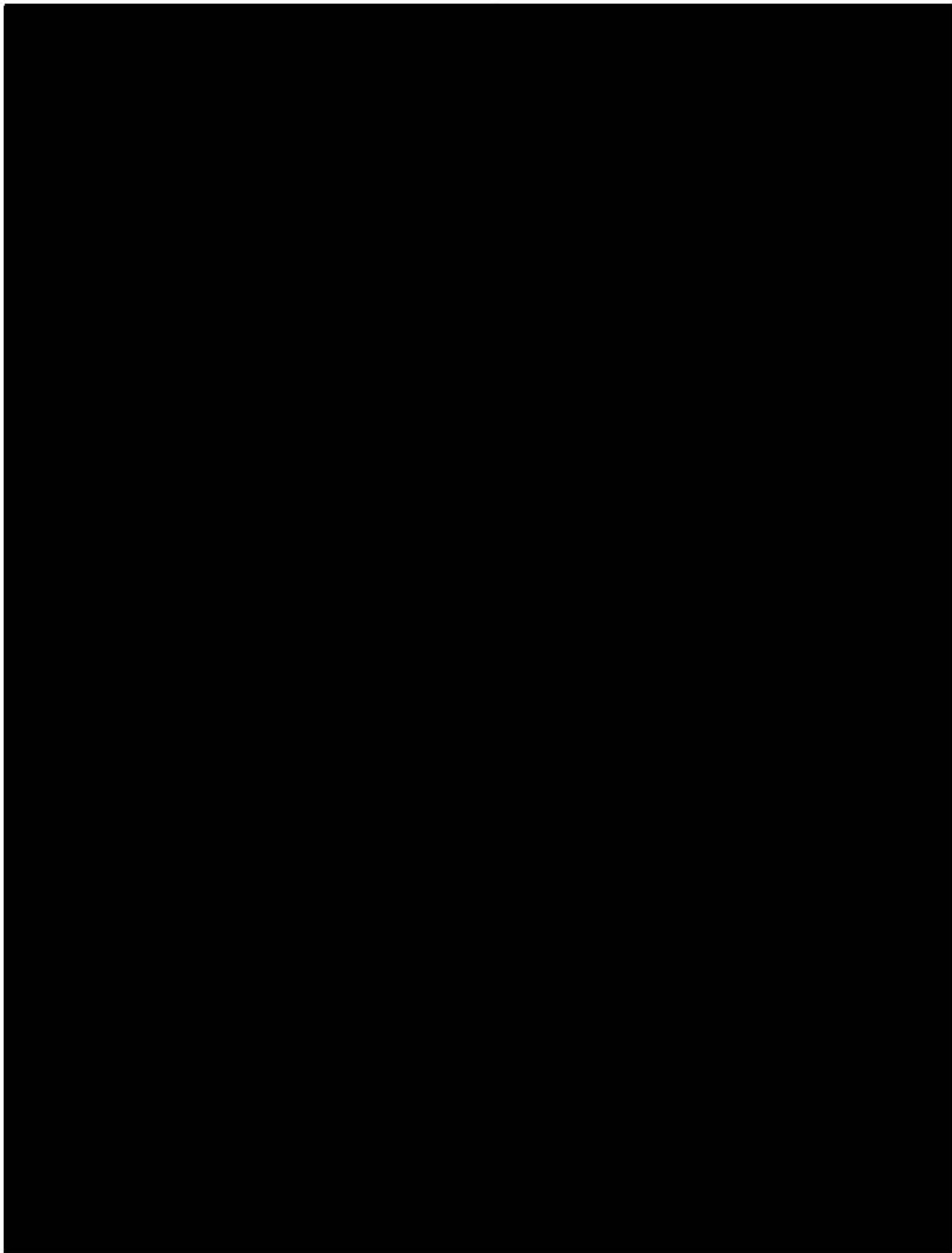
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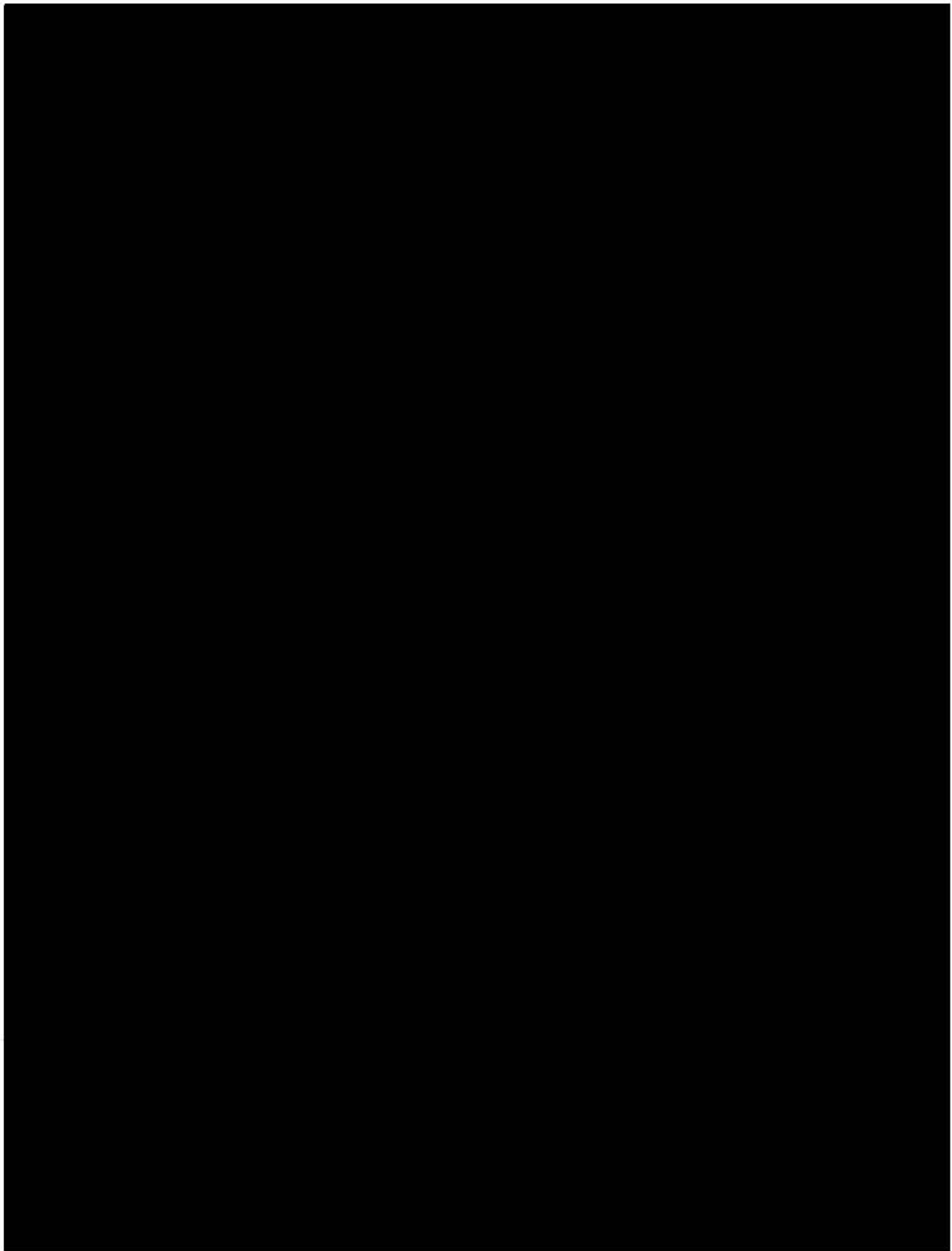
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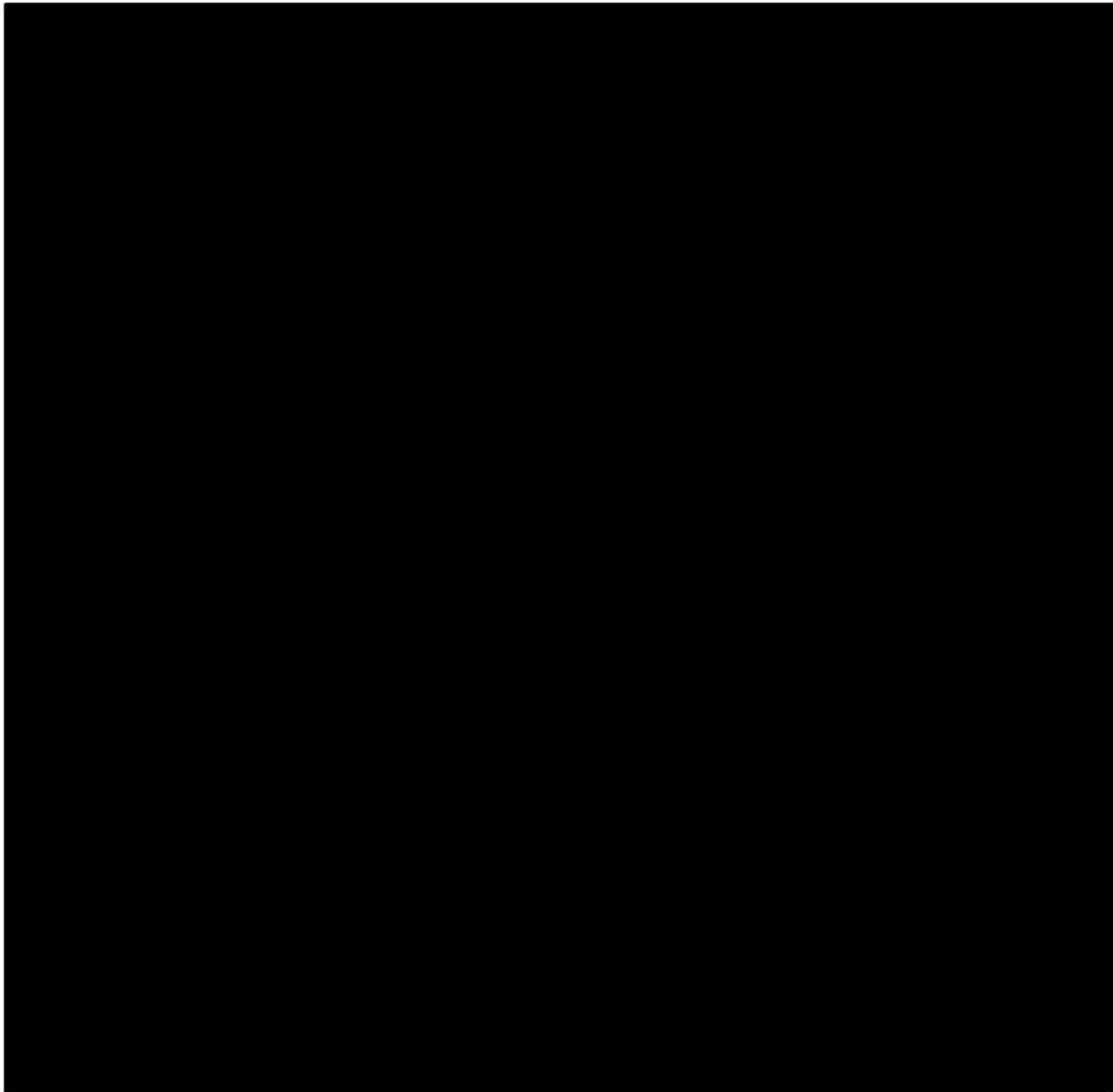
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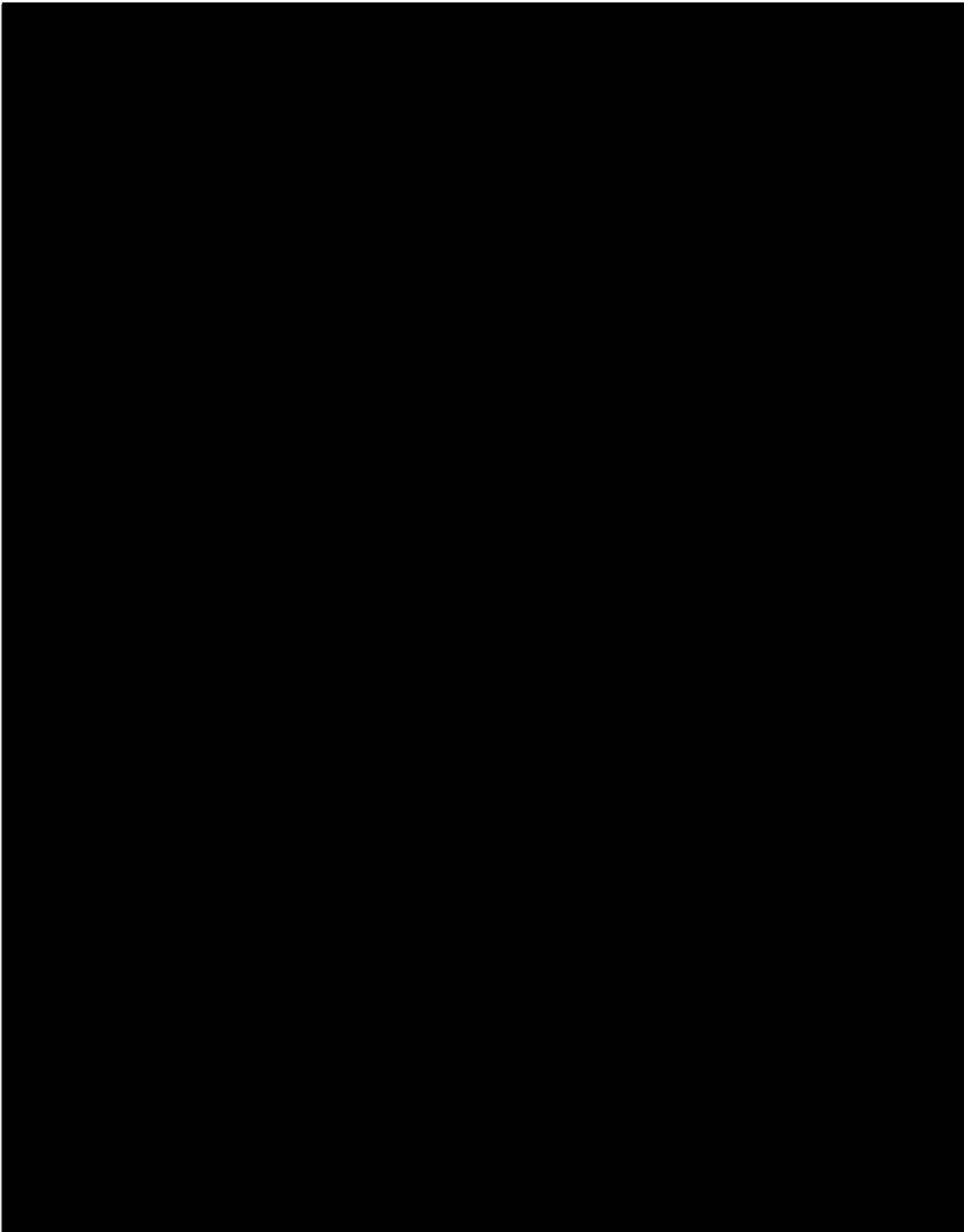
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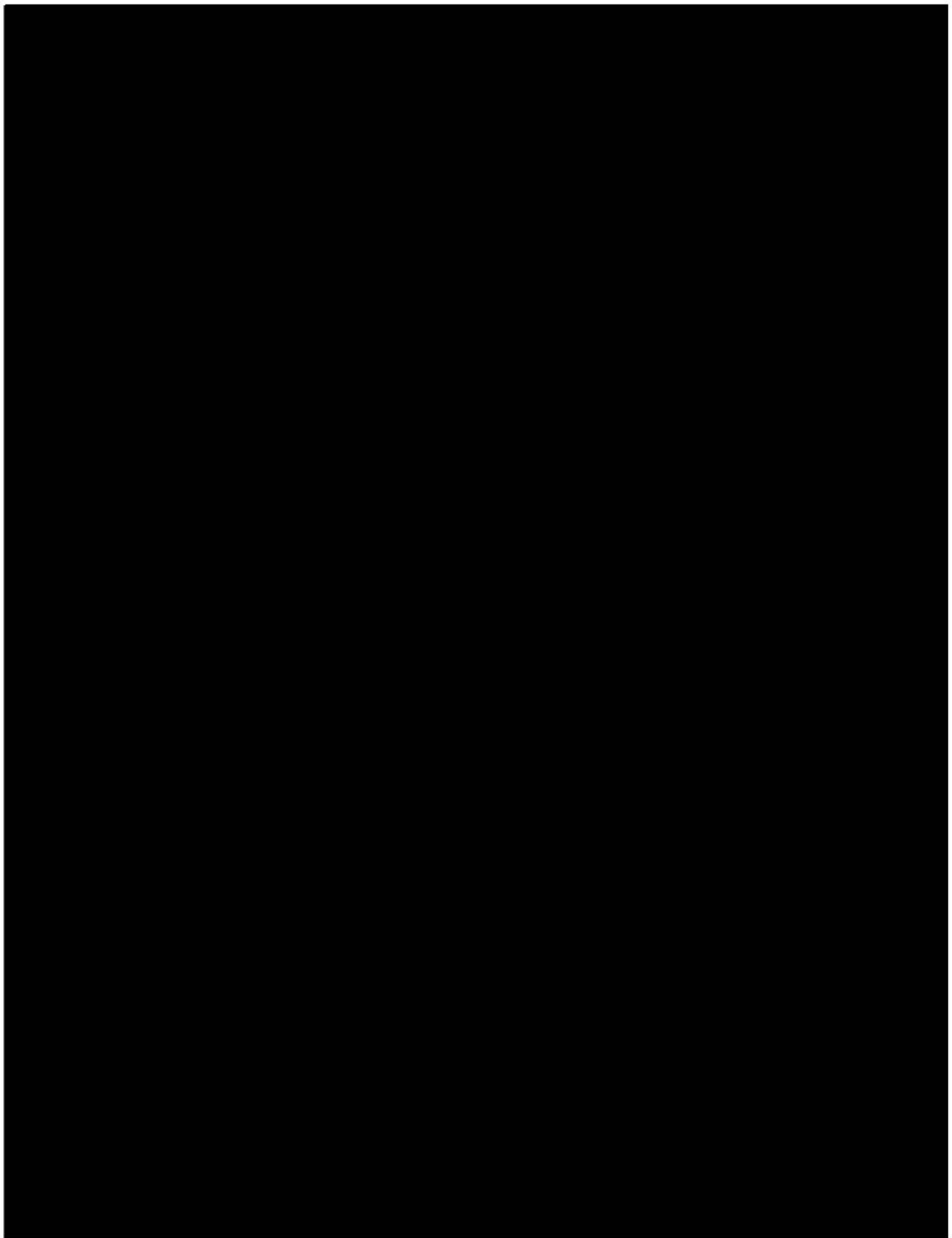
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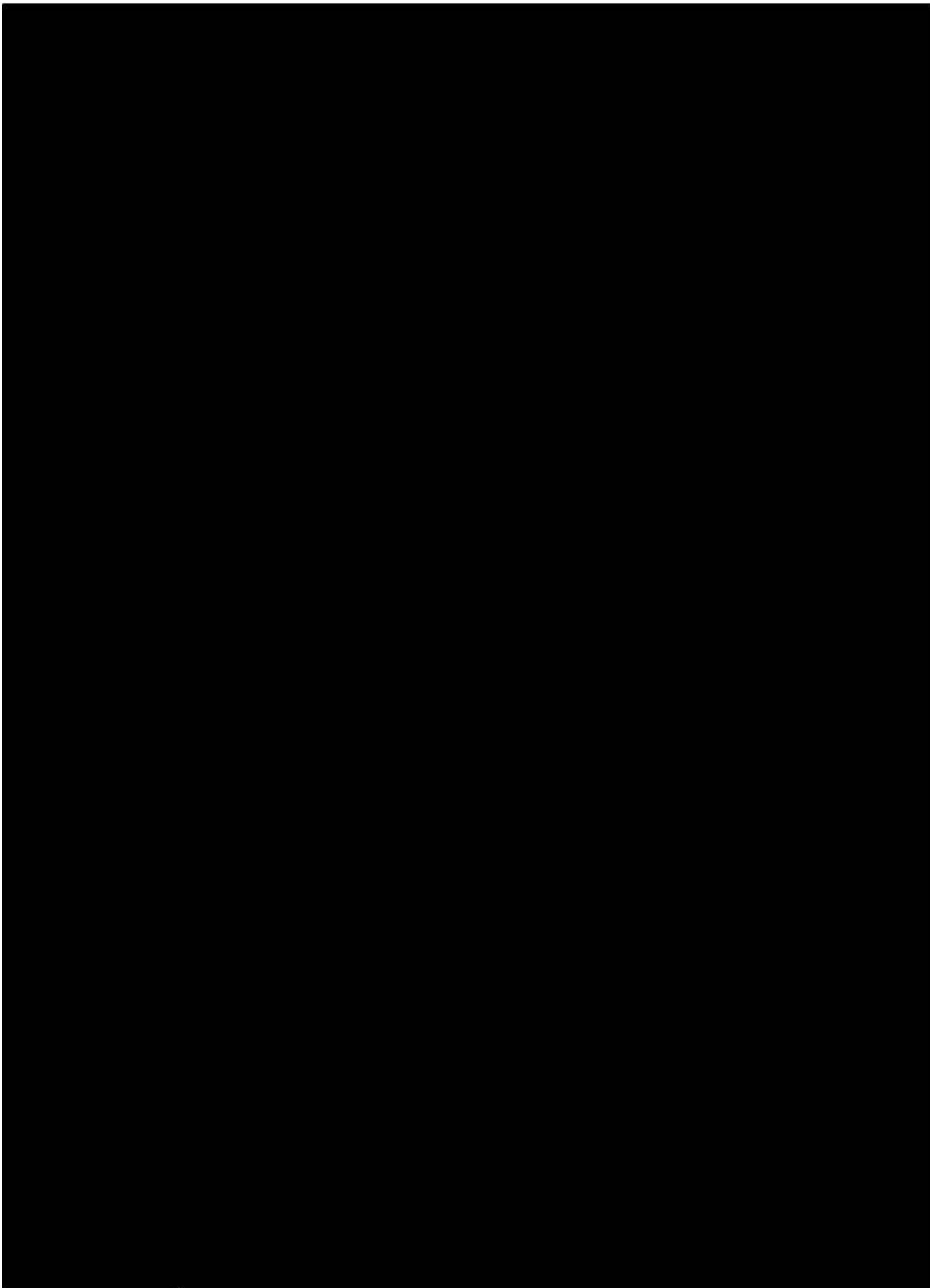
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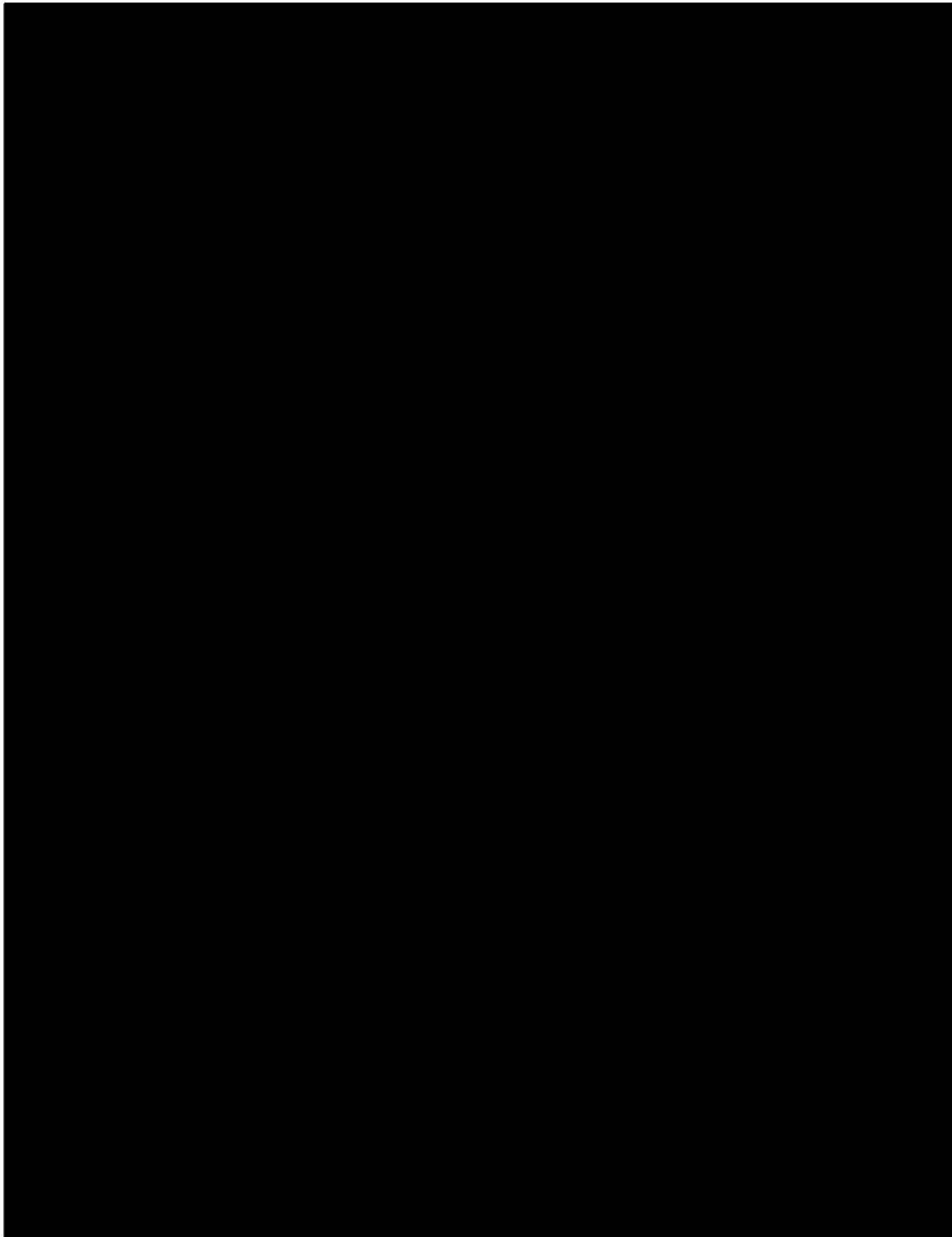
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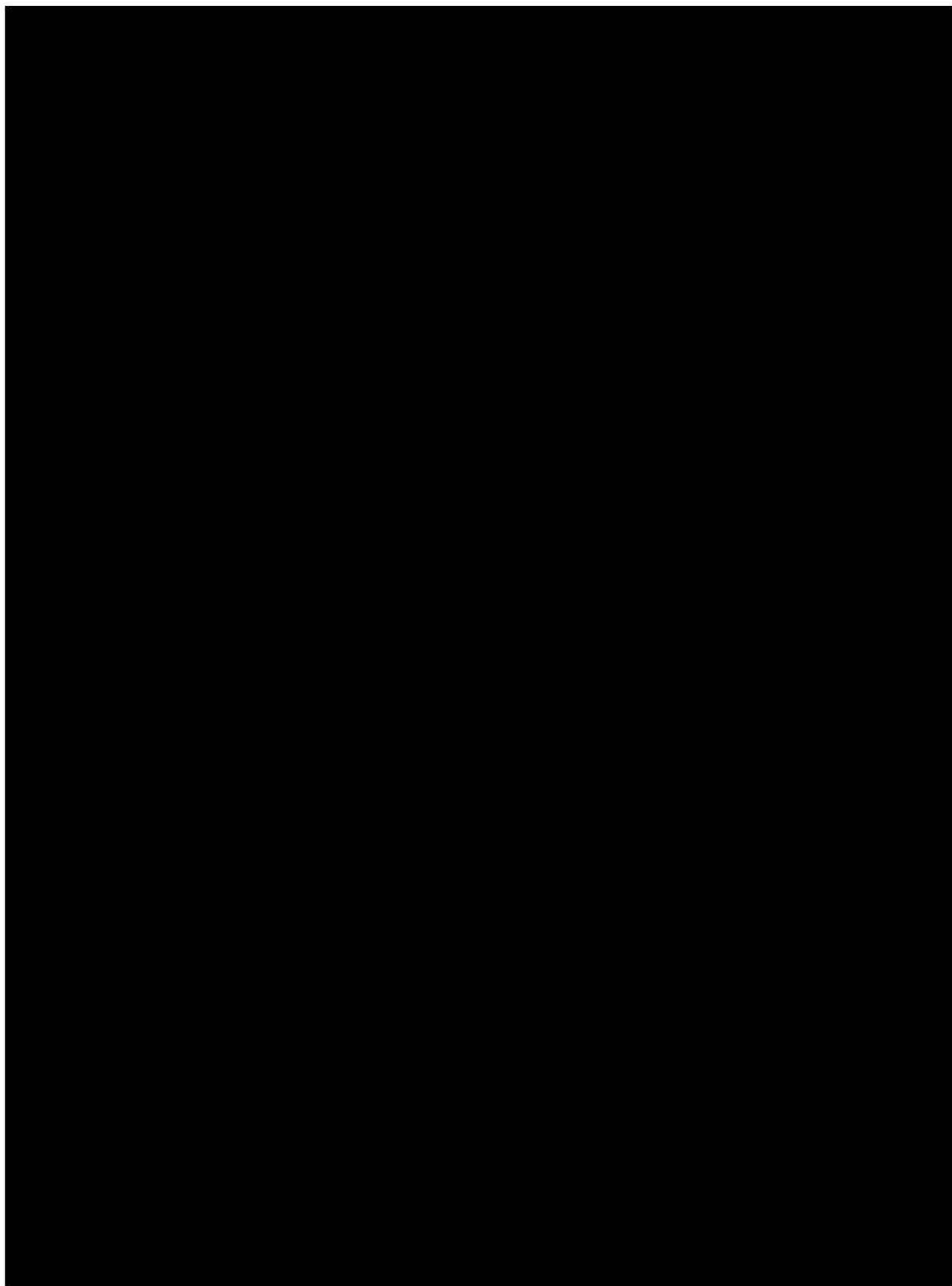
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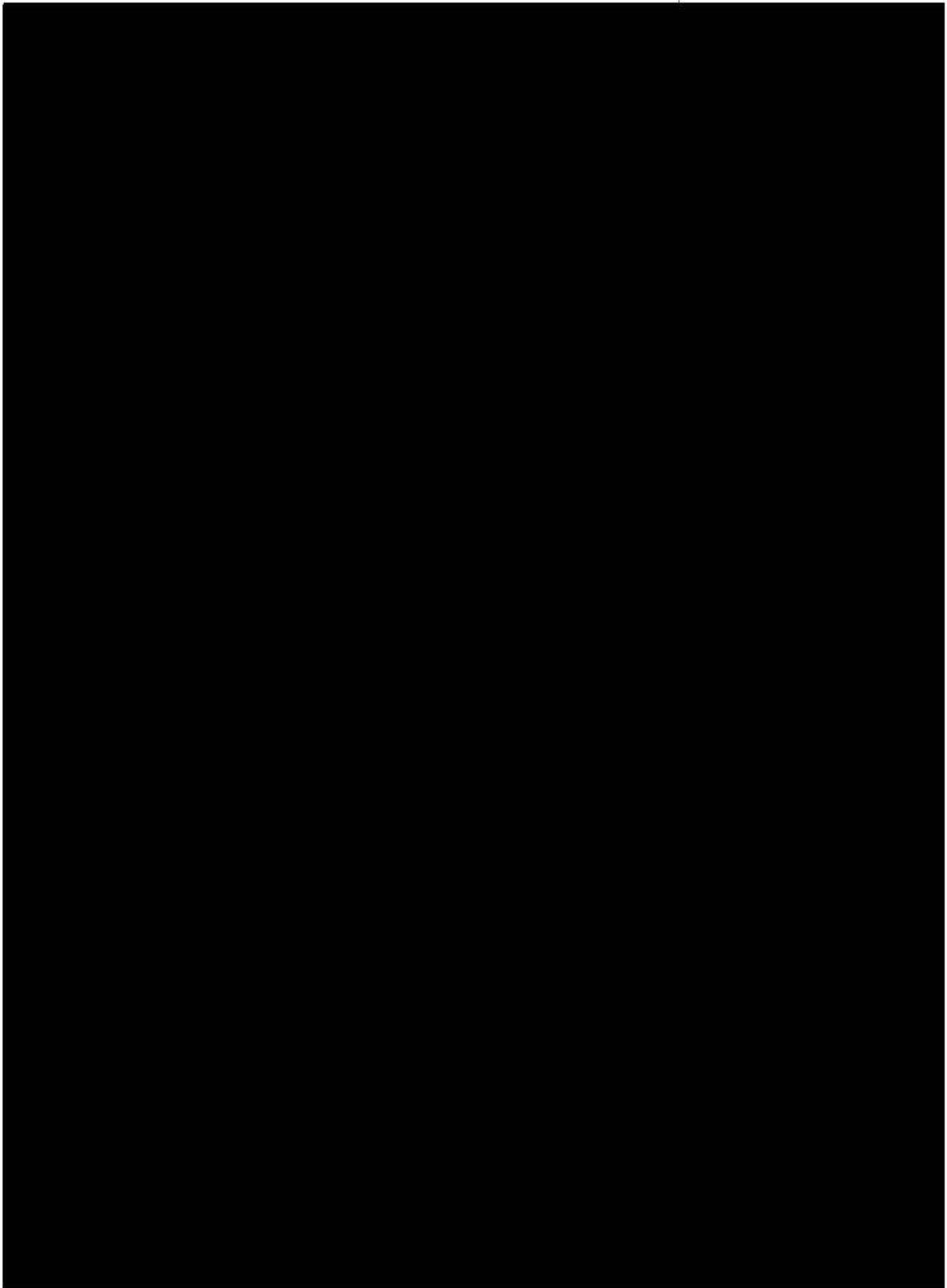
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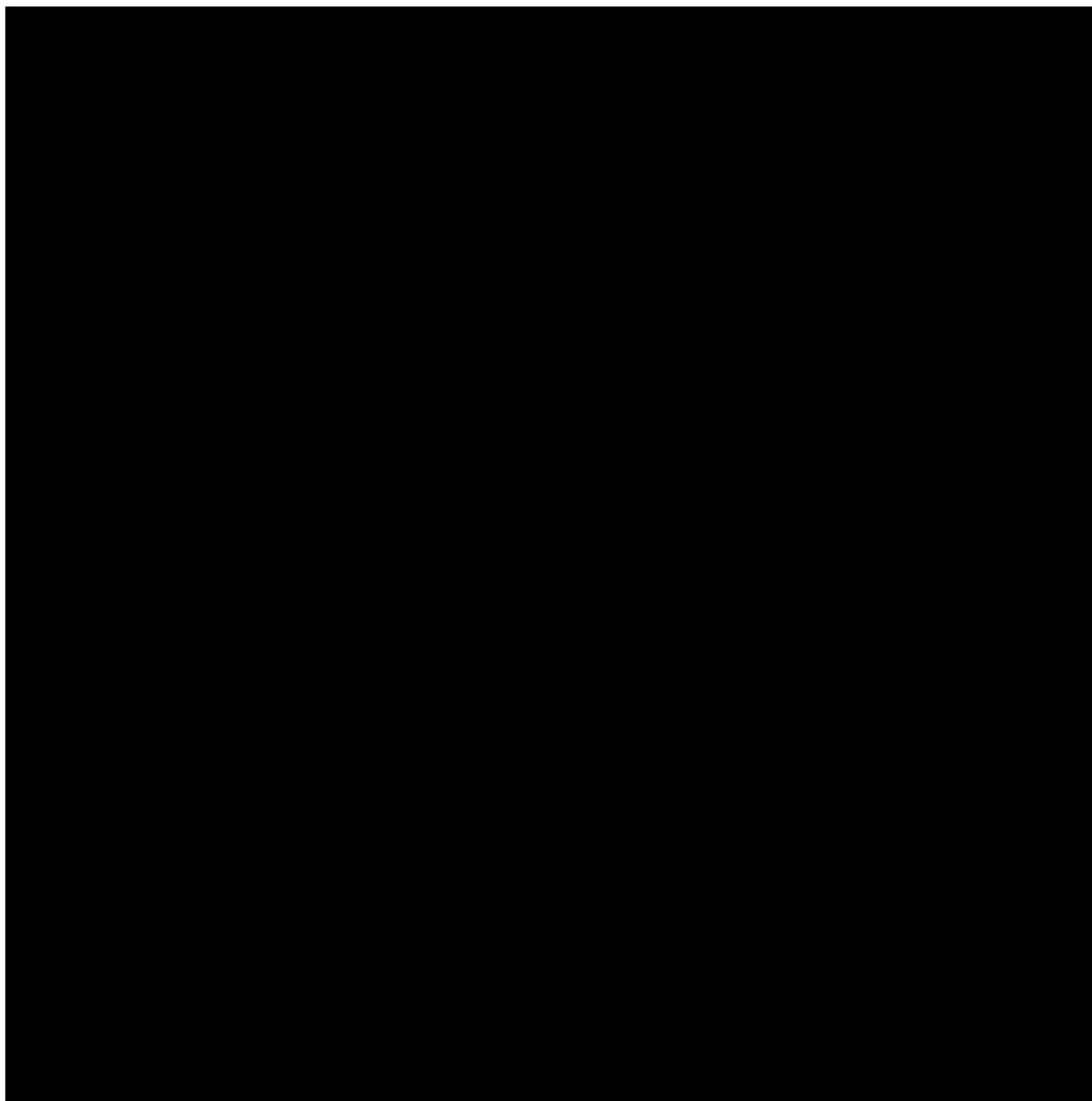
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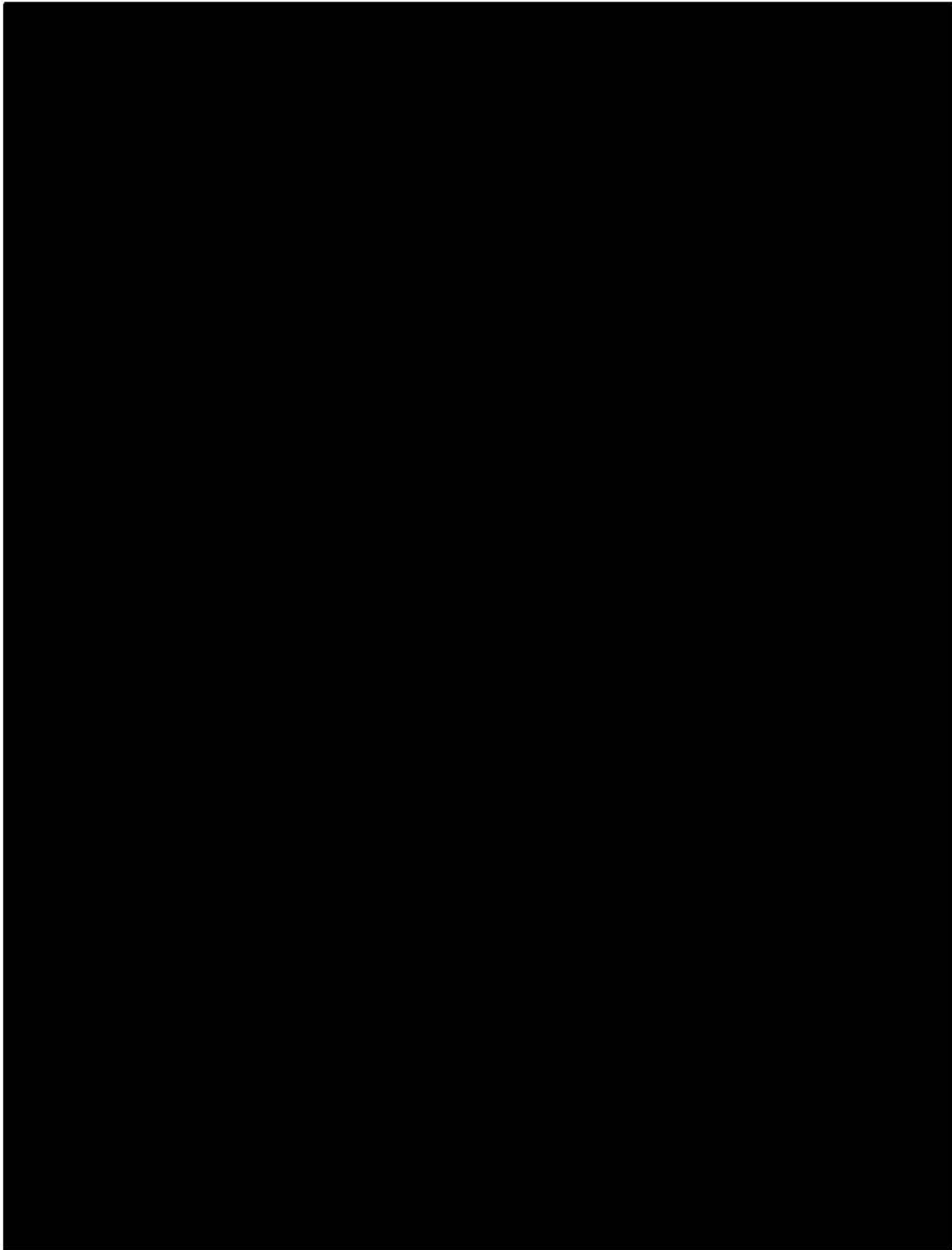
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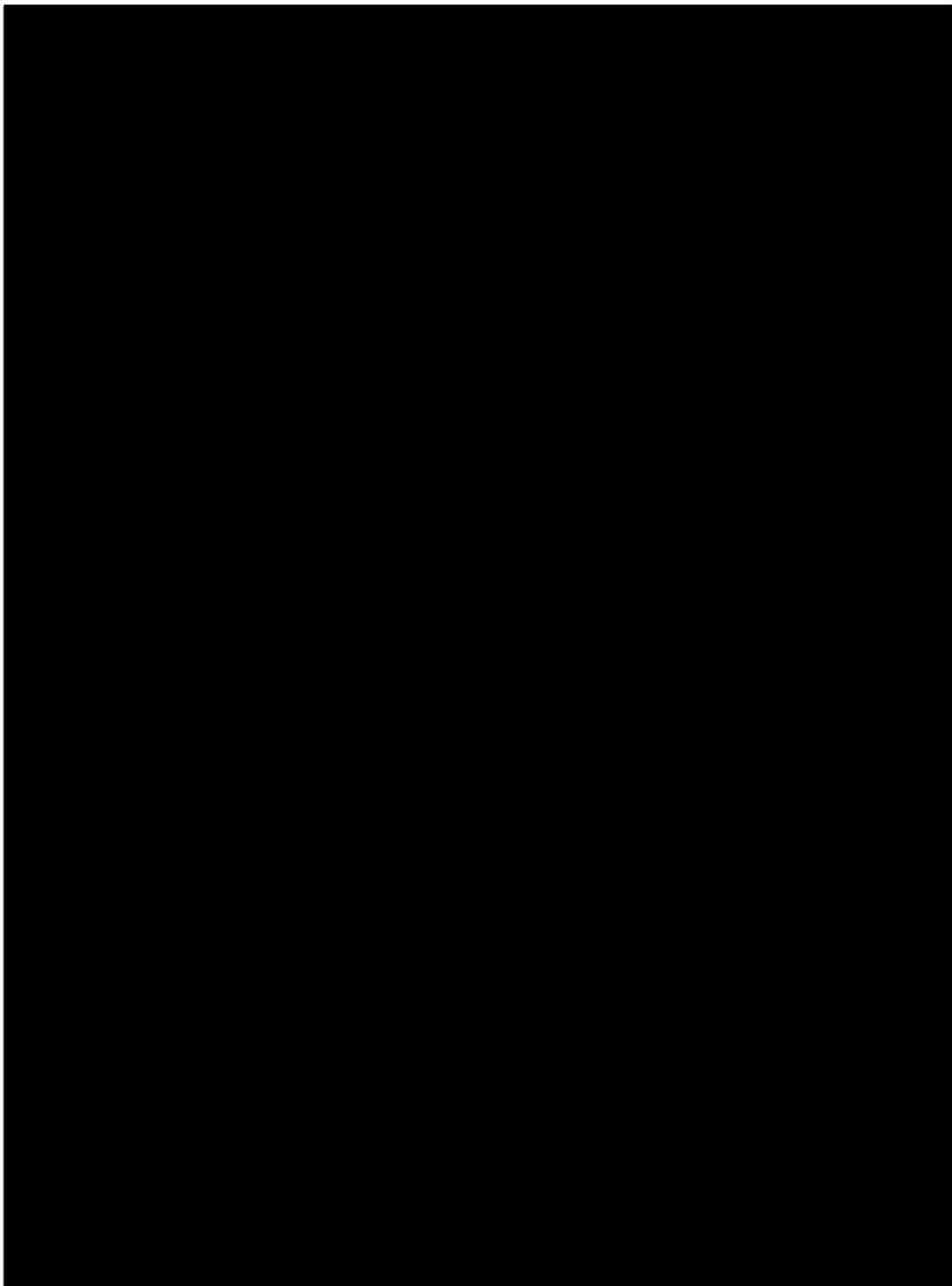
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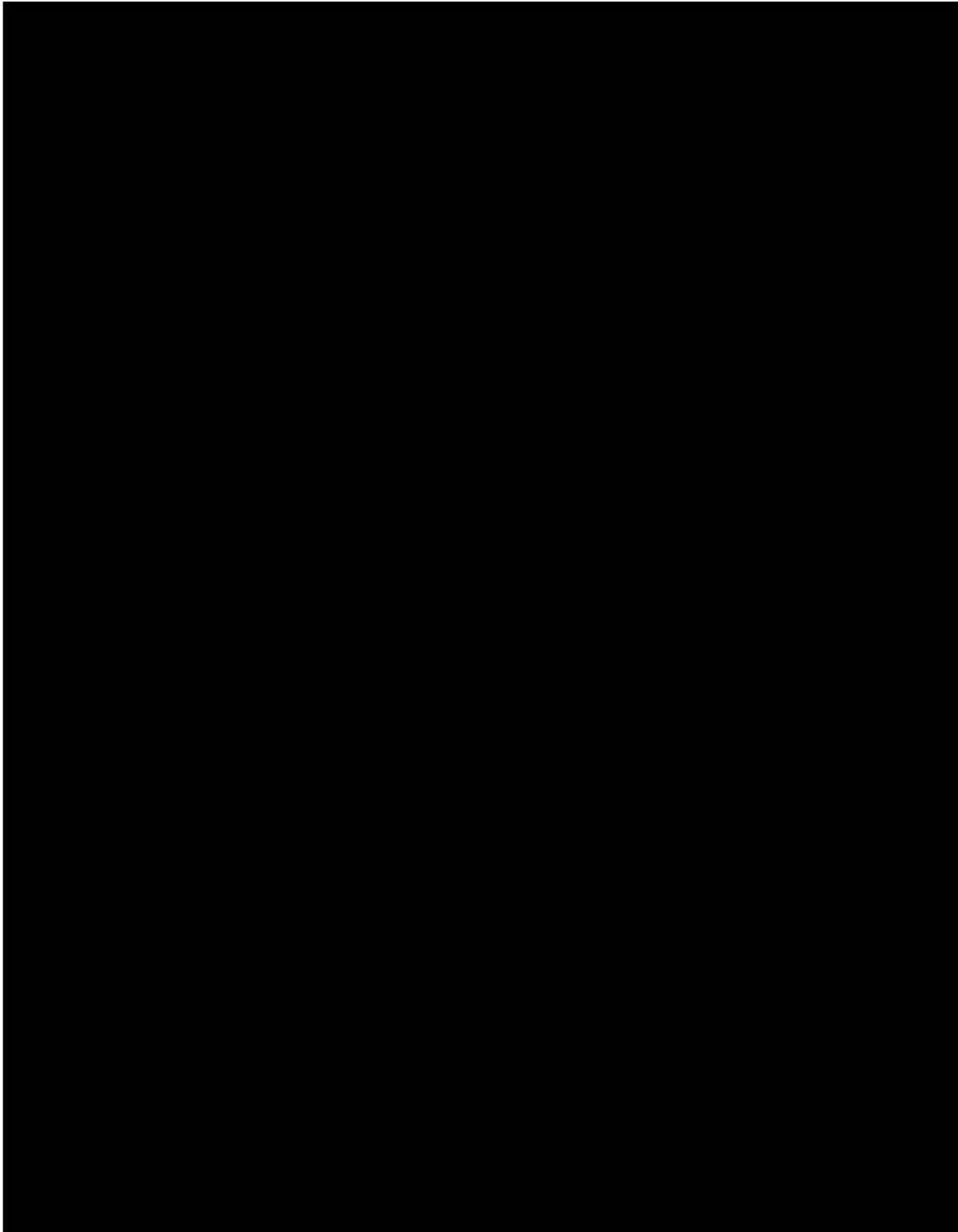
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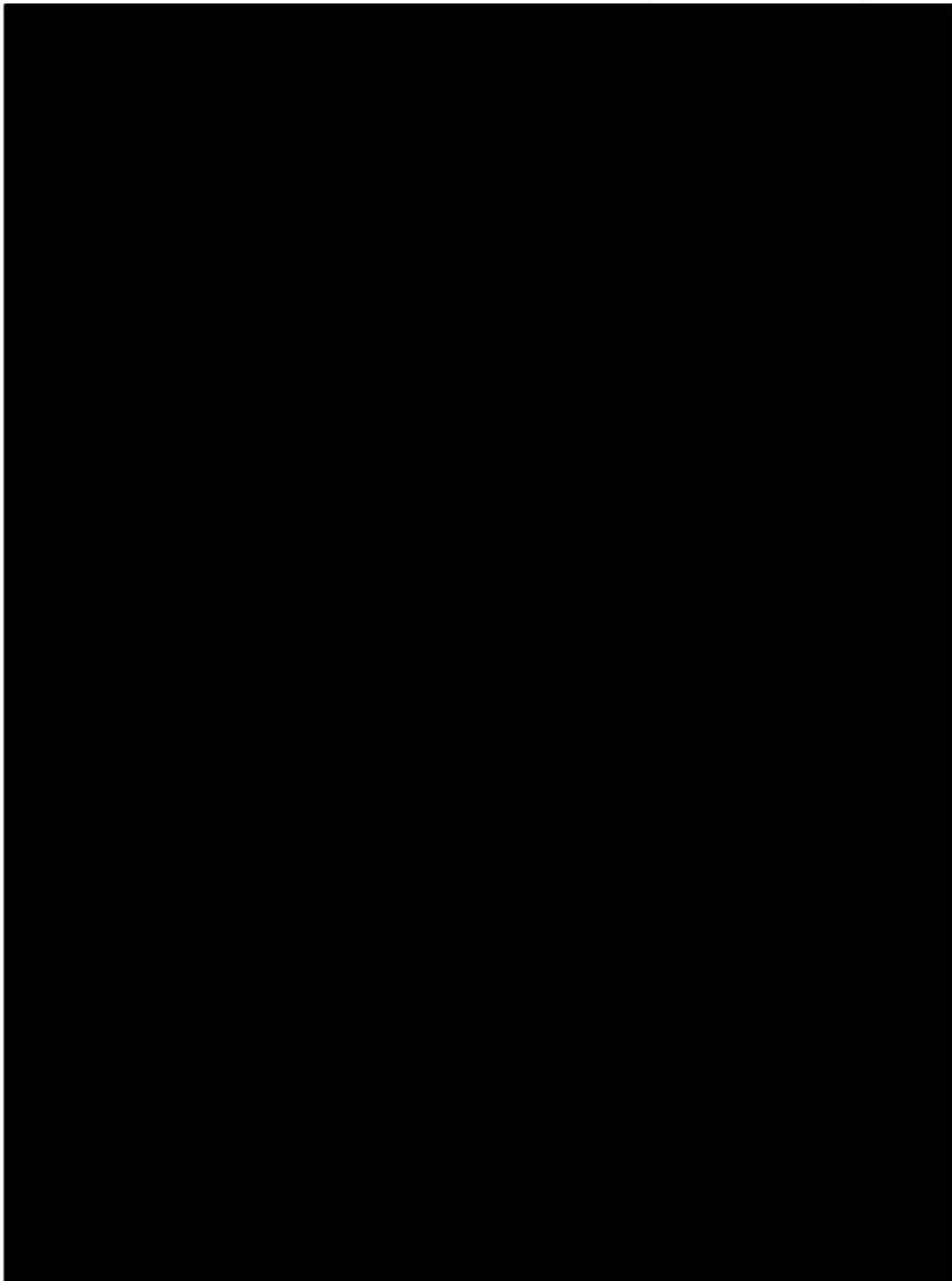
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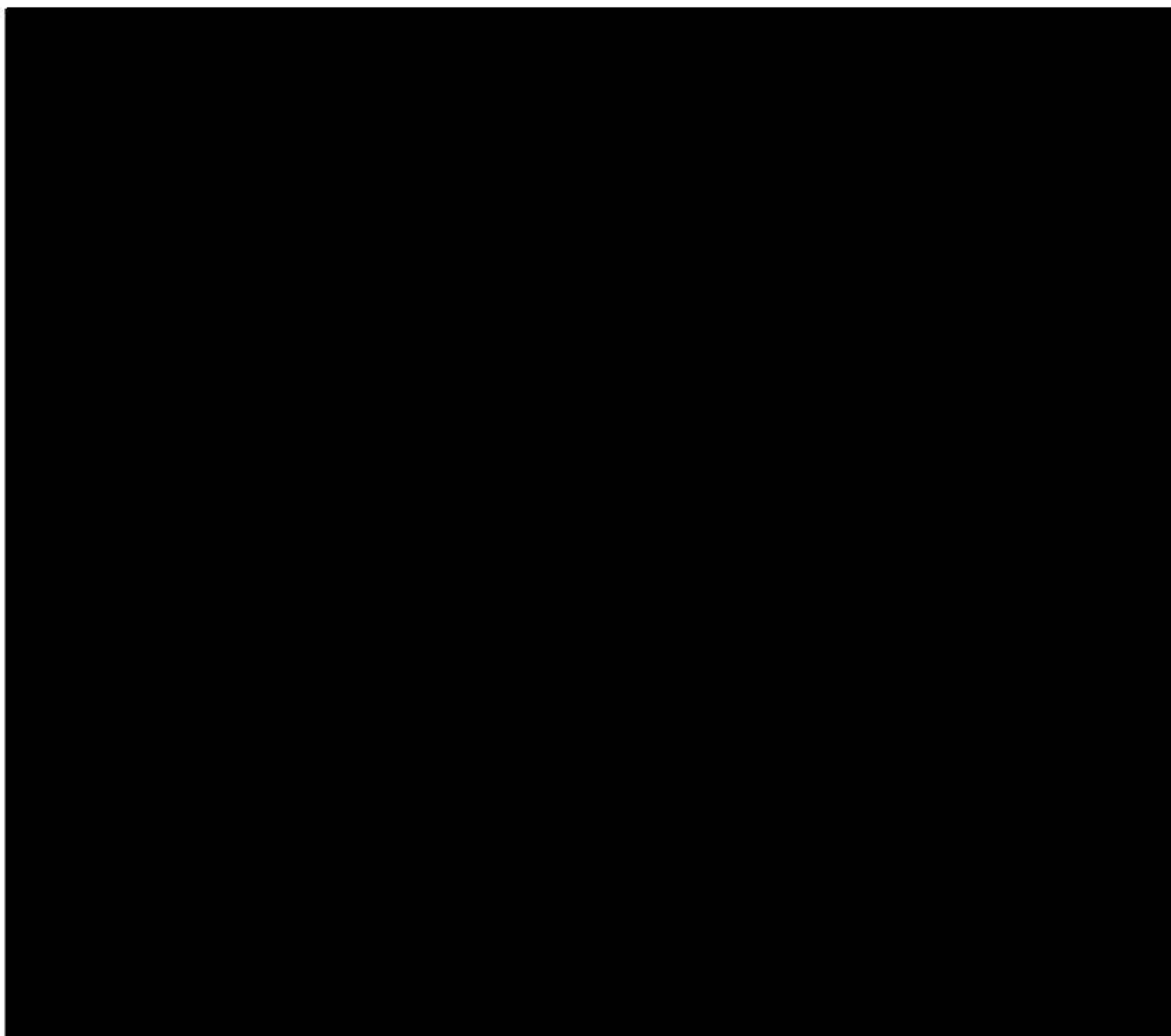
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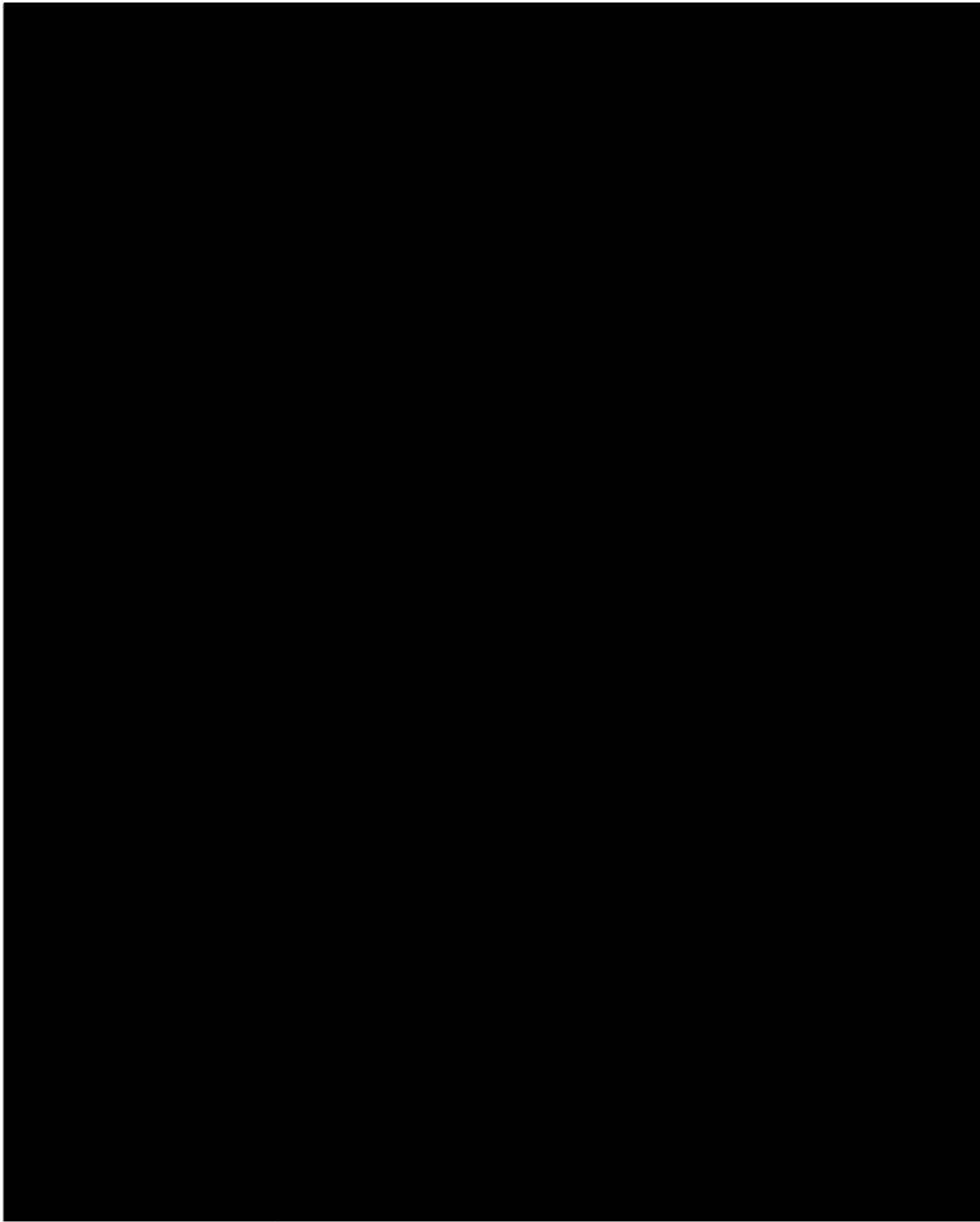
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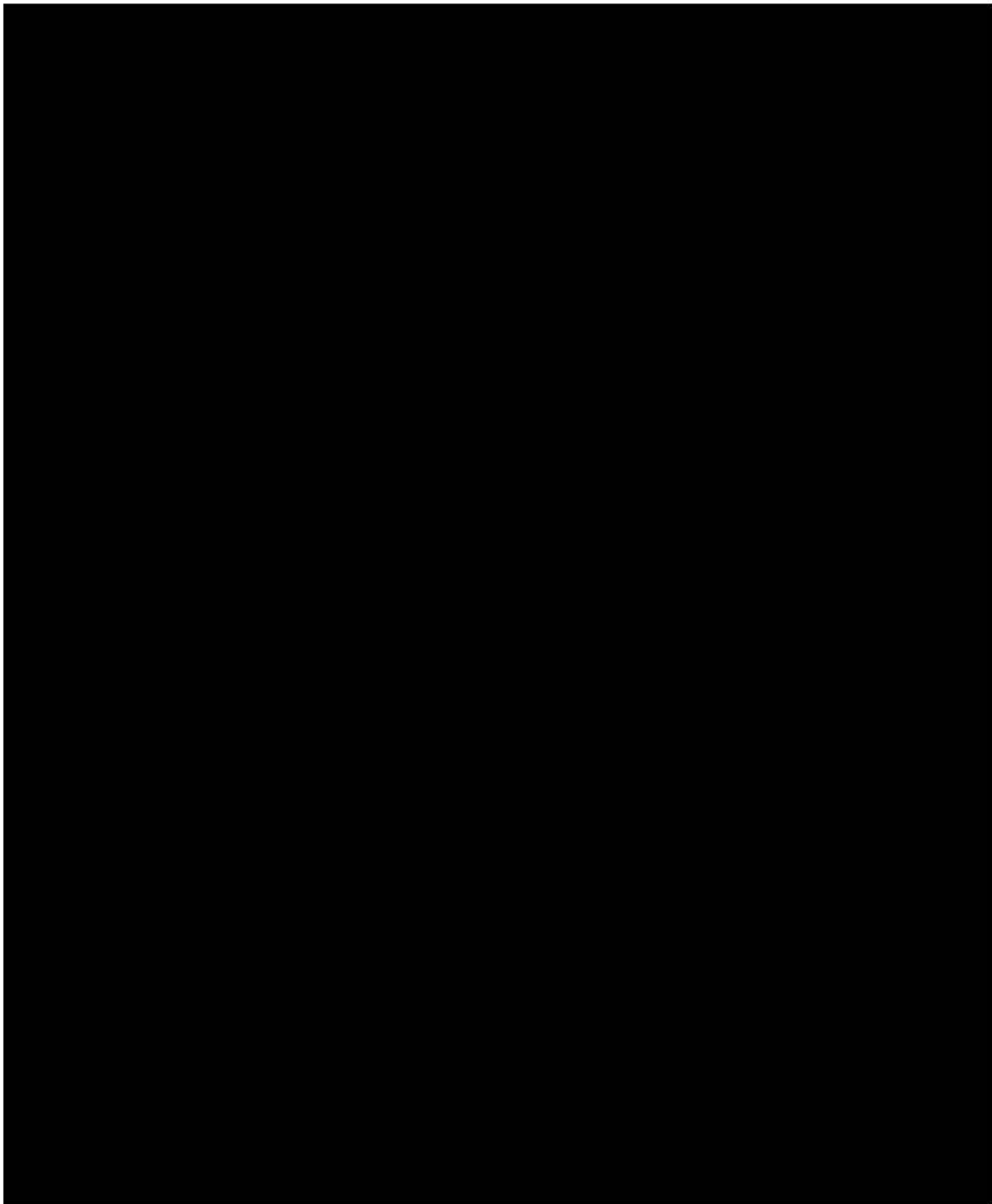
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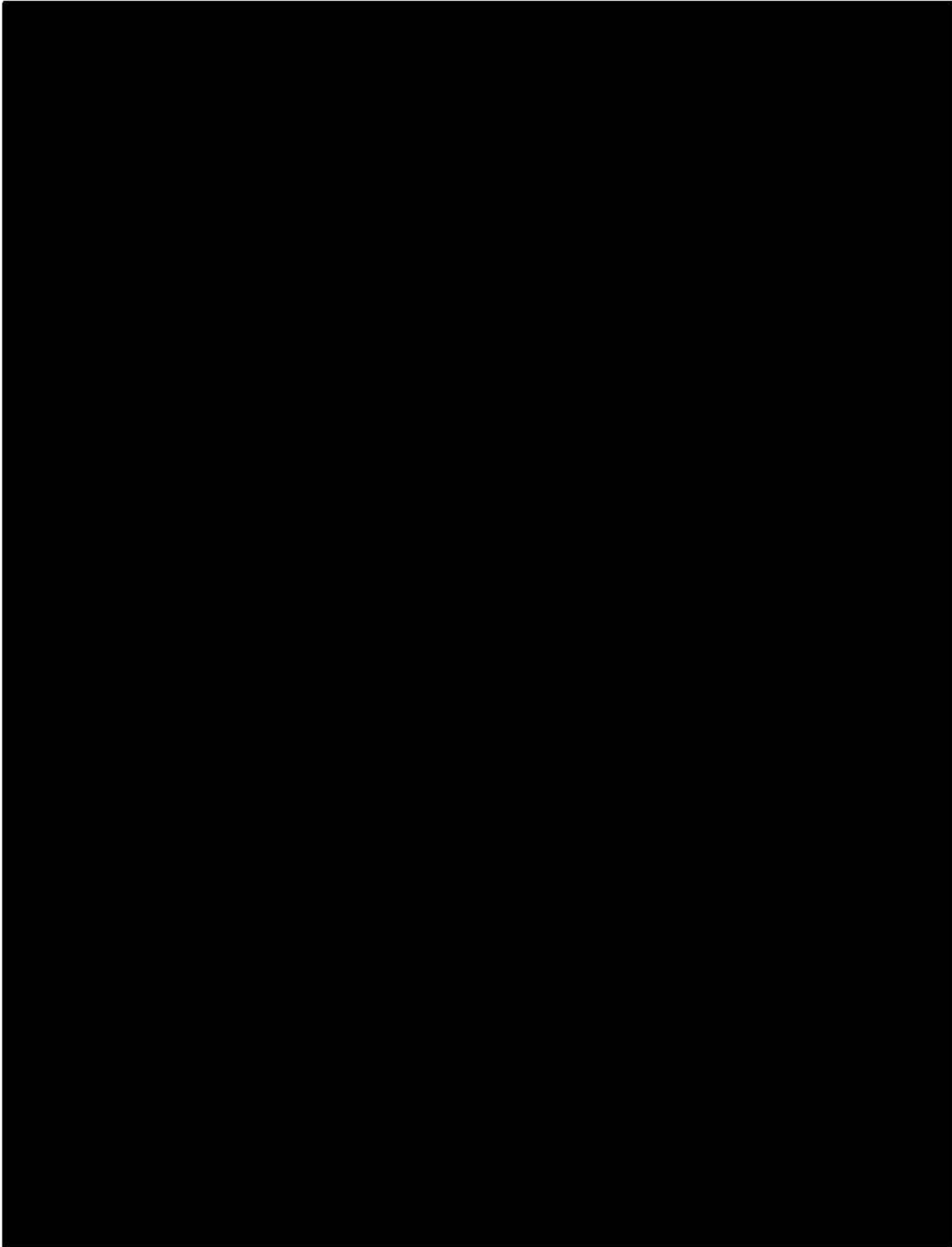


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Example of ECBP Calculation



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Exhibit B

2030.33



Salary Ranges, Merit Matrices, Promo Guidelines and Budget

Pre-Focal 2008

Linda Lutter

GER CAR FTF

June 26, 2007

2030.34

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76582DOC000783

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Objective of Today

Provide an overview of the following processes:

- Creating and updating **salary ranges**
- Developing **merit matrices**
- Developing **promotion budget and guidelines**

Specific instructions and/or tools for Focal 08 will be provided later in the year.



2030.35

Salary Ranges

A salary range is a set of established pay limits for a given set of jobs within which we compensate our employees.

Ranges should reflect the **market pay** levels and the **internal value** of the applicable jobs.

A **structure** is a set of ranges for an employee category (e.g. technical nonexempt).

"**Salary Admin Plan**" = Geni's term for pay ranges.

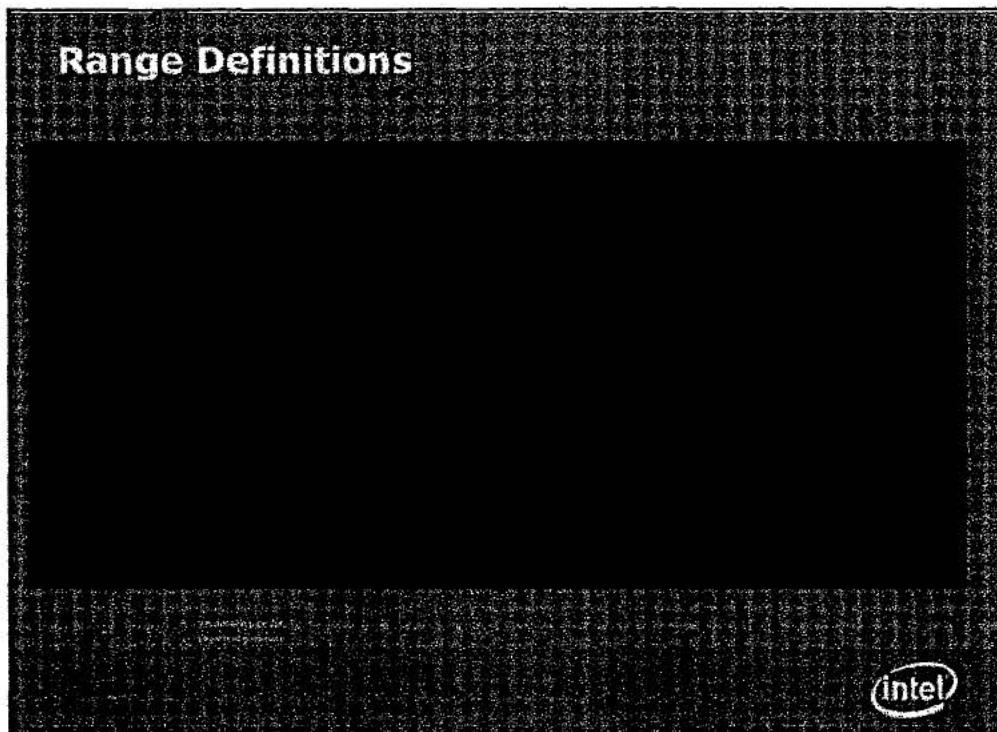
Intel Salary Ranges include **base plus Incentive Target** (EB or Sales Incentive)*.

* The plan is to make Intel ranges base only.

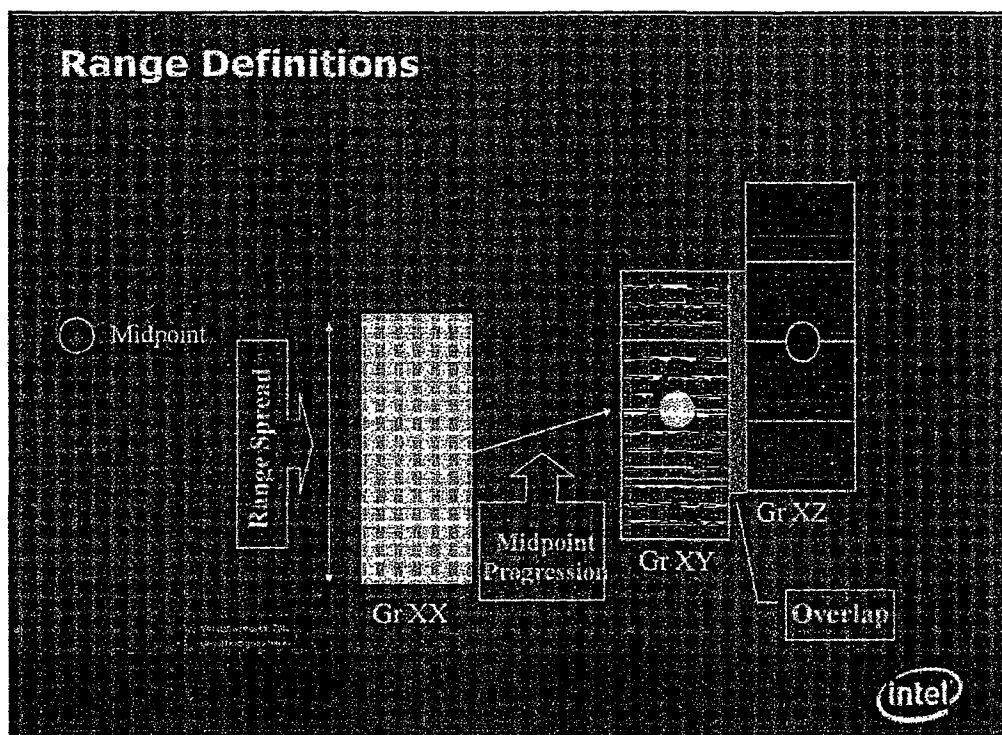


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Ref. Manual
Page 14

2030.38

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Salary Range Objectives

Reflects market competitive pay levels for **all jobs** in the grade
(but not for any job in particular)

Communication tool for managers and employees of market levels

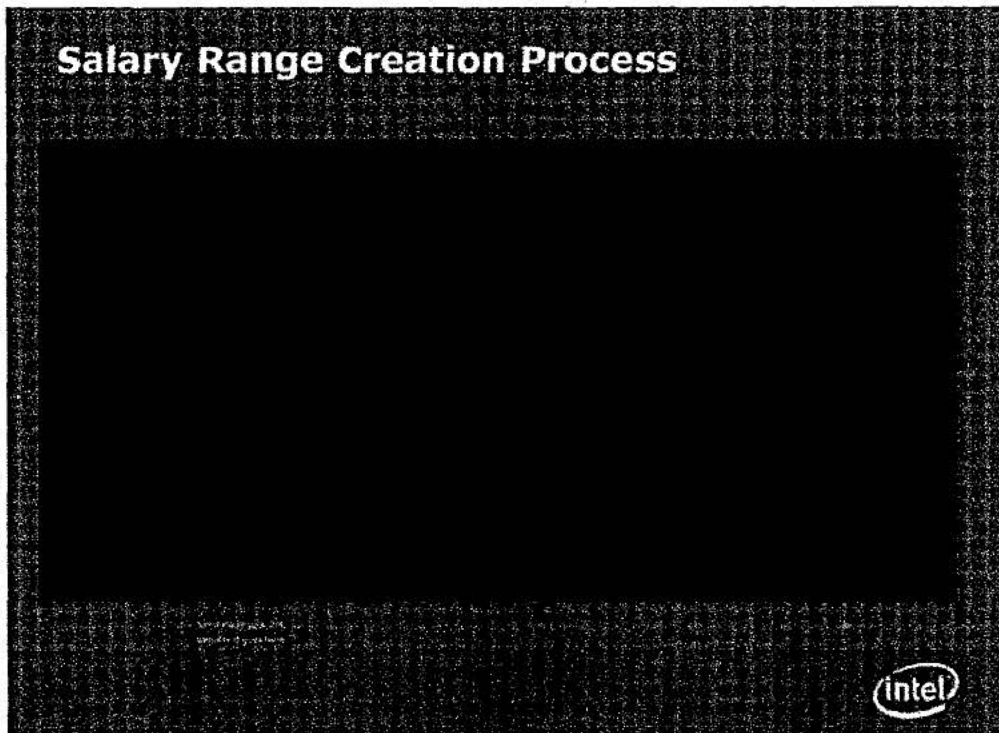
Provide a framework for equitable pay based on job scope and performance

Establish the foundation for merit matrices and offer guidelines

Use as a cost management tool



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Moving Salary Ranges

Once ranges are established, they usually must be "moved" to remain competitive with the market

We move the range midpoints by certain percentage increase, then recalculate the min and max

Ranges should be moved no more often than once a year, less often if appropriate

Preserve midpoint progression and range spreads as much as possible, if already market competitive



2030.41